Executive Summary Title

The Government of Uruguay recognizes the important role foreign investment plays in economic development and offers a stable investment climate that does not discriminate against foreign investors. Uruguay's legal system treats foreign and national investments equally, and most investments are allowed without prior authorization. Investors can freely transfer capital and profits from their investments abroad. International investors can choose between arbitration and the judicial system to settle disputes. Local courts recognize and enforce foreign arbitral awards.

U.S. firms have not identified corruption as an obstacle to investment. In 2021, Transparency International ranked Uruguay as the most transparent country in Latin America and the Caribbean, and the second most transparent in the Western Hemisphere after Canada. Uruguay is a stable democracy, one of only three full democracies in the Western Hemisphere and ranked 13th in the world, according to the Economist Intelligence Unit. As of March 2022, Standard & Poor's and Moody's rated Uruguay one step above the investment grade threshold with a stable outlook. Fitch Ratings rated it at the investment grade threshold with a stable outlook.

Investment rose substantially from 2004-2014 as a result of an historic commodities boom but dropped significantly 2015-2019 as the boom flagged. However, investment picked up again in 2021 as a result of: tax incentives for investors; a successful COVID vaccination program; government COVID spending; a dynamic tech industry; and a $2 billion foreign investment in a pulp-mill. The United Nations Conference on Trade and Development reports FDI inflows increased 43 percent to $2.6 billion in 2021, the highest level since 2012.

About 150 U.S. firms operate locally in a wide array of sectors, including forestry, tourism and hotels, services, and telecommunications. The IT services sector is a significant recent growth area, with several Uruguayan companies listing on U.S. stock markets, or being bought by U.S. companies. In 2020, the United States had the fourth largest stock of foreign investment, reflecting its longstanding presence in the country. Uruguay has bilateral investment treaties with over 30 countries, including the United States. The United States does not have a double-taxation treaty with Uruguay, but does have a Trade and Investment Framework Agreement in place, in addition to agreements on open skies, trade facilitation, customs mutual assistance, promotion of small and medium enterprises, and social security totalization. Uruguay is a founding member of Mercosur, the Southern Cone Common Market, created in 1991 and headquartered in Montevideo, along with Argentina, Brazil, and Paraguay. (Note: Venezuela joined the bloc in June 2012 but was suspended in December 2016.) Bolivia, Colombia, Ecuador, and Peru are associate members of Mercosur. The current administration is lobbying Mercosur to relax its requirement for members to negotiate as a bloc and allow Uruguay to embark on independent trade negotiations. Uruguay and Mexico have had a comprehensive trade agreement in place since 2004, and in 2018, Uruguay extended its existing free trade agreement with Chile to increase trade in goods and services.

Over the past decade, Uruguay strengthened bilateral trade, investment, and political ties with the People's Republic of China (PRC), its principal trading partner since 2013. In 2018, Uruguay was the first country in the Southern Cone to join the PRC's Belt and Road Initiative. Uruguay formally joined the Asian Infrastructure Investment Bank in 2020. In September 2021, the government announced that it would start negotiating a free trade agreement with the PRC, independently from its Mercosur partners. A pre-feasibility study was planned to be completed by the end of 2021.

A 2018 survey by Uruguay's Ministry of Economy and Finance showed that about half of foreign investors were satisfied or very satisfied with Uruguay´s investment climate, principally due to its rule of law, low political risk, macroeconomic stability, strategic location, and investment incentives. Almost all investors were satisfied or highly satisfied with Uruguay's twelve free trade zones (FTZs) and its free ports. However, roughly one-fourth of investors were dissatisfied with at least one aspect of doing business locally, expressing concerns about high labor costs, taxes, union/labor conflicts and high energy costs. The World Bank's 2020 "Doing Business" Index placed Uruguay fourth out of twelve countries in South America.

Uruguay's strategic location (in the center of Mercosur's wealthiest and most populated area), and its special import regimes (such as free zones and free ports) make it a well-situated distribution center for U.S. goods into the region. Several U.S. firms warehouse their products in Uruguay's tax-free areas and service their regional clients effectively. With a small market of middle-class consumers, Uruguay can also be a good test market for U.S. products.

There are no significant risks to doing business responsibly in areas such as labor and human rights. Additionally, the government's long-term climate strategy, announced in December 2021, focuses on mitigation and adaptation to climate change and seeks to reach carbon neutrality, with stable emissions of methane and nitrous oxide in its agricultural sector, by 2050. The government is gradually including environmental variables in designing public economic and capital market policies. Uruguay is proposing in international fora, including the World Bank and the IMF, tying the cost of sovereign funding to advanced environmental indicators.

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2021	18 of 180	http://www.transparency.org/research/cpi/overview
Global Innovation Index	2021	65 of 132	https://www.globalinnovationindex.org/ dex

U.S. FDI in Partner Country ($M USD, stock positions)	2019	999	https://apps.bea.gov/international/factsheet/
World Bank GNI per capita	2020	15,790	https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=UY

1. Openness To, and Restrictions Upon, Foreign Investment

POLICIES TOWARDS FOREIGN DIRECT INVESTMENT

Uruguay recognizes the important role foreign investment plays in economic development and offers a stable investment climate that does not discriminate against foreign investors. Uruguay's legal system treats foreign and national investments equally. Most investments are allowed without prior authorization. Investors can freely transfer capital and profits from their investments abroad, and choose between arbitration and the judicial system to settle disputes. The judiciary is independent and professional.

Foreign investors are not required to meet any specific performance requirements. Moreover, foreign investors are not subject to discriminatory or excessively onerous visa, residence, or work permit requirements. The government does not require nationals to own shares or that the share of foreign equity be reduced over time, or impose conditions on investment permits. Uruguay normally treats foreign investors as nationals in public sector tenders. Uruguay's law permits investors to participate in any stage of the tender process.

Uruguay's export and investment promotion agency, Uruguay XXI (http://www.uruguayxxi.gub.uy), provides information on Uruguay's business climate and investment incentives, at both a national and sectoral level. The agency also has several programs to promote the internationalization of local firms and regularly participates in trade missions.

There is no formal business roundtable or ombudsman responsible for regular dialogue between government officials and investors. Uruguay levies value-added and non-resident income taxes on foreign-based digital services, while locally-based digital services are generally tax exempt. Tax rates vary depending on whether the company provides audiovisual transmissions or intermediation services, and on the geographical locations of the company and consumers of the service.

LIMITS ON FOREIGN CONTROL AND RIGHT TO PRIVATE OWNERSHIP AN D ESTABLISHMENT

Aside from the few limited sectors involving national security and limited legal government monopolies in which foreign investment is not permitted, Uruguay practices neither *de jure* nor *de facto* discrimination toward investment by source or origin, with national and foreign investors treated equally.

In general, Uruguay does not require specific authorization for firms to set up operations, import and export, make deposits and banking transactions in any particular currency, or obtain credit. Screening mechanisms do not apply to foreign or national investments, and investors do not need special government authorization for access to capital markets or to foreign exchange.

OTHER INVESTMENT POLICY REVIEWS

The World Trade Organization published its Trade Policy Review of Uruguay, which included a detailed description of the country's trade and investment regimes in 2018 and is available at **https://www.wto.org/english/tratop_e/tpr_e/tp474_e.htm** . While Uruguay is not a member of the Organization for Economic Cooperation and Development (OECD), it has gradually endorsed several of its principles and joined some of its institutions. In March 2021, it became the 50th adherent to OECD´s Declaration on International Investment and Multinational Enterprise, and in July 2021 the OECD published its first Investment Policy Review on the country (available at **https://www.oecd.org/publications/oecd-investment-policy-reviews-uruguay-1135f88e-en.htm**).

Uruguay is a member of the UN Conference on Trade and Development (UNCTAD), but the organization has not yet conducted an Investment Policy Review on the country.

The civil society organization, Un Solo Uruguay, was founded in 2018 and frequently raises investment policy-related concerns and suggestions to the government.

BUSINESS FACILITATION

In 2020, Uruguay was ranked 66th in the World Bank's "Starting a Business" sub-indicator (against its overall aggregate ranking of 101st for the ease of doing business). Domestic and foreign businesses can register operations in approximately seven days without a notary at **http://empresas.gub.uy** . Uruguay receives high marks in electronic government. The UN's 2020 Electronic Government Development Index ranked Uruguay second in the Western Hemisphere (after the United States). Uruguay is a member of the D9, the group that gathers the leading digital governments globally.

In recent years, some U.S. industrial small- to medium-sized enterprises (SMEs), in chemical production for example, have described Uruguay's market as difficult for new foreign entrants. Those SMEs pointed to legacy business relationships and loyalties, along with a cultural resistance by distributors and clients to trusting new producers.

OUTWARD INVESTMENT

The government does not promote nor restrict domestic investment abroad.

2. Bilateral Investment Agreements and Taxation Treaties

In November 2005, Uruguay and the United States signed a Bilateral Investment Treaty (BIT) to promote and protect reciprocal investments. The BIT, which entered into force on November 1, 2006, grants national and most-favored-nation treatment to investments and investors sourced in each country. The agreement also includes detailed provisions on compensation for expropriation, and a precise procedure for settling bilateral investment disputes. The annexes include sector-specific measures not covered by the agreement and specific sectors or activities that governments may restrict further. The BIT is available at **https://ustr.gov/trade-agreements/bilateral-investment-treaties/bit-documents** .
Besides the United States, Uruguay has Bilateral Investment Agreements in force with 30 countries from different regions. The full list is available at **https://investmentpolicyhub.unctad.org/IIA/** . Uruguay and the United States do not have double taxation or tax information agreements in place.

Uruguay has been a member of the OECD Development Center and its Global Forum on Transparency and Exchange of Information for Tax Purposes since 2009. In 2016, it passed a fiscal transparency law, and in 2017, it began implementing an automatic exchange of tax information with the countries with which it has established Tax Information Exchange Agreements (TIEAs). Uruguay is a member of OECD´s Inclusive

Framework on Base Erosion and Profit Shifting and a signatory to its agreement on the global minimum corporate income tax. In February 2020, Uruguay deposited its instrument of ratification for the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes indicates that Uruguay has exchange-of-information relationships with 35 jurisdictions through 19 double-taxation agreements and 16 Tax Information Exchange Agreements. The full list is available at https://eoi-tax.com/jurisdictions/Uruguay .
A social security totalization agreement with the United States has been in effect since November 2018. The agreement eliminates dual social security taxation and helps workers who have split their careers between the United States and Uruguay to meet the minimum eligibility requirements (years worked) more quickly by adding together years worked in both countries to qualify for benefits (https://www.ssa.gov/international/Agreement_Texts/uruguay.html).

3. Legal Regime

TRANSPARENCY OF THE REGULATORY SYSTEM

Transparent and streamlined procedures regulate local and foreign investment in Uruguay at the state and national level. The Constitution does not provide for supra-national regulations. Most draft laws, except those having an impact on public finances, can start either in the executive branch or in the parliament. Uruguay's president needs the agreement of all ministries with competency on the regulated matter to issue decrees. Ministers may also issue resolutions. All regulatory actions — including bills, laws, decrees, and resolutions — are publicly available at https://www.presidencia.gub.uy/normativa .

The U.S. government's Fiscal Transparency Report labels Uruguay as a "fiscally transparent" country. Public finances and debt obligations, including explicit and contingent liabilities, are transparent. Accounting, legal, and regulatory procedures are transparent and consistent with international norms. The government only occasionally proposes laws and regulations in draft form for public comment. Parliamentary commissions typically engage stakeholders while discussing a bill. Non-governmental organizations or private sector associations do not manage any informal regulatory processes.

The government does not promote or require environmental, social, and governance disclosures.

Article 10 of the U.S.–Uruguay BIT mandates that both countries publish promptly or make public any law, regulation, procedure, or adjudicatory decision related to investments. Article 11 sets transparency procedures that govern the accord.

INTERNATIONAL REGULATORY CONSIDERATIONS

Uruguay is a member of several regional economic blocs, including Mercosur and the Latin American Integration Association (known by its Spanish acronym, ALADI), neither of which have supranational legislation. To create local law, Uruguay's parliament must ratify these blocs' decisions. Uruguay is also a member of the WTO and notifies all draft technical regulations to its committee on technical barriers to trade.

LEGAL SYSTEM AND JUDICIAL INDEPENDENCE

The legal system in Uruguay follows civil law based on the Spanish civil code. The highest court in the country is the Supreme Court. The executive branch nominates judges and Parliament's General Assembly appoints them. Supreme Court judges serve a ten-year term and can be reelected after a lapse of five years following the previous term. Other subordinate courts include the court of appeal, district courts, peace courts, and rural courts. Uruguay has a written commercial law and specialized civil courts.

The judiciary remains independent of the executive branch. Critics of the court system complain that its civil sector can be slow. The executive branch rarely interferes directly in judicial matters, but at times has voiced its dissatisfaction with court rulings. Investors can appeal to local or international courts for commercial disputes. International investors may choose between arbitration and the judicial system to settle disputes.

LAWS AND REGULATIONS ON FOREIGN DIRECT INVESTMENT

Uruguayan law treats foreign and domestic investment alike.

Law No. 16,906 (passed in 1998) declares that the promotion and protection of investments made by both national and foreign investors is in the nation's interest and allows investments without prior authorization or registration. The law also provides that investors can freely transfer their capital and profits abroad and that the government may not prevent the establishment of investments in the country.

U.S. and other foreign firms can participate in local or national government-financed or subsidized research and development programs. Uruguay's Accountancy and Administration Document (known by its Spanish acronym, TOCAF) contains the norms and regulations that govern public purchases, including the laws, decrees, resolutions, and international agreements that apply to the contracting process.

Uruguay uses government procurement as a tool for promoting local industry, especially micro, small, and medium enterprises (MSMEs), and enterprises that innovate in technological and scientific areas. Most government contracts (except for those in areas in which the public and private sectors compete) prioritize goods, services, and civil engineering works produced or supplied by domestic MSMEs. The most used preferential regime grants an eight percent price preference to goods and services produced domestically, regardless of the firm's size. MSME programs grant price preferences ranging from 12 to 16 percent for MSMEs competing against foreign firms. Uruguay's export and investment promotion agency, **Uruguay XXI** , helps potential investors navigate Uruguayan laws and rules. When awarding bids, the government often prioritizes price over quality. This has led to several projects needing a price adjustment post award.

COMPETITION AND ANTITRUST LAWS

Uruguay has transparent legislation established by the Commission for the Promotion and Defense of Competition at the Ministry of Economy to foster competition. The main legal pillars (Law No. 18,159 and decree 404, both passed in 2007) are available at the commission's site: **https://www.mef.gub.uy/578/5/areas/defensa-de-la- percent20competencia—uruguay.html** .
A 2017 peer review of Uruguay´s competition law and policy is available at **https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1640** .

In 2001, Uruguay created regulatory and controlling agencies for telecommunications (URSEC), water, and energy. In 2020, the new government enhanced URSEC's autonomy through article 256 of an omnibus reform law (No. 19,889), making it a decentralized and independent service directed by a three-member board appointed by the Presidency.

Uruguay passed an Audiovisual Communications Law (Law No. 19,307) in December 2014. Also known as the media law, it includes provisions on market caps for cable TV providers that could limit competition. In April 2016, Uruguay's Supreme Court ruled that these market caps and some local content requirements were unconstitutional. The government proposed new legislation in April 2020 to change the media law, which as of March 2022 remains under review by Parliament. U.S. companies have expressed concerns about some of the proposed articles.

EXPROPRIATION AND COMPENSATION

Uruguay’s Constitution declares property rights an “inviolable right” subject to legal determinations that may be taken for general interest purposes and states that no individuals can be deprived of this right — except in case of public need and with fair compensation.

Article 6 of the U.S.–Uruguay BIT rules out direct and indirect expropriation or nationalization of private property except under specific circumstances. The article also contains detailed provisions on how to compensate investors, should expropriation take place. There are no known cases of expropriation of investment from the United States or other countries within the past five years.

DISPUTE SETTLEMENT

International Center for the Settlement of Investment Disputes (ICSID) Convention and New York Convention

Uruguay became a member of the ICSID in September 2000 and is a signatory of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Investor–State Dispute Settlement

Local courts recognize and enforce foreign arbitral awards issued against the government. The U.S.–Uruguay BIT established detailed and expedited dispute settlement procedures.

In the 2010s, two U.S. companies sued Uruguay before the World Bank´s ICSID. In 2010, the tobacco company Philip Morris International sued Uruguay, arguing new health measures involving cigarette packaging amounted to unfair treatment of the firm. They filed the case under the Uruguay–Switzerland BIT, and in 2016 the ICSID ruled in Uruguay's favor. In 2015, U.S. telecom company Italba sued Uruguay before ICSID, which ruled in Uruguay's favor in March 2019. In 2017, a subsidiary of the Indian mining company Zamin Ferrous filed a lawsuit against Uruguay before the UN Commission on International Trade Law (UNCITRAL) under the 1991 UK-Uruguay BIT. The panel decided in Uruguay´s favor in August 2020. In May 2019, Panamanian company Latin American Regional Aviation Holding, registered a case against Uruguay under the 1988 Panama-Uruguay BIT. As of March 2022, the case is pending resolution.

International Commercial Arbitration and Foreign Courts

Commercial contracts frequently contain mediation and arbitration clauses, and local courts recognize them. Investors may choose between arbitration and the judicial system to settle disputes. Local courts recognize and enforce foreign courts' arbitral awards.

Uruguay's judiciary is independent. The average time to resolve a dispute, counted from the moment the plaintiff files the lawsuit in court until payment, is about two years, according to contacts in local law firms. The courts' decisions are legally enforced and Uruguayan law respects international arbitration awards.

BANKRUPTCY REGULATIONS

The Bankruptcy Law passed in 2008 (Law No. 18,387) expedites bankruptcy procedures, encourages arrangements with creditors before a firm may go bankrupt, and provides the possibility of selling the firm as a single unit. Bankruptcy has criminal and civil implications with intentional or deliberate bankruptcy deemed a crime. The law protects the rights of creditors according to the nature of the credit, and workers have privileges over other creditors.

The World Bank's 2020 *Doing Business Report* ranks Uruguay second out of twelve countries in South America for its ease of "resolving insolvency." Uruguay ranks 70th globally in this sub-index (vs. its overall aggregate global ranking of 101st for ease of doing business).

4. Industrial Policies

INVESTMENT INCENTIVES

Law No. 16,906 (passed in 1998) regulates the ordinary investment promotion regime and grants automatic tax incentives to several activities. In addition to automatic tax exemptions, Uruguay has several other incentives for greenfield and brownfield investments that help achieve some of the government´s strategic goals, including: creating jobs, increasing exports, contributing to geographical decentralization away from the capital, fostering the use of clean technologies, and promoting research and development. The principal incentive consists of the deduction from corporate income tax of a share of total investment over a pre-defined period. Other incentives include the exemption from tariffs and taxes on imports of capital goods and the refunding of the Value Added Tax paid on domestic purchases of certain goods. Please refer to a detailed document on incentives to investment, available in English at **http://www.uruguayxxi.gub.uy/guide/schemes.html** .

Uruguay dramatically shifted its energy matrix from petroleum-based electricity generation to renewable sources over the past two decades, and currently generates almost all electricity from renewable sources –primarily hydro and wind. Solar and wind parks installed in the past sold all production to the government electricity company at a fixed convenient price in long-term contracts. The government continues offering incentives for clean energy investments, mainly related to lower corporate income tax, for clean energy investments and is developing national plans for green hydrogen.

Uruguay seldom issues sovereign guarantees or jointly financed FDI projects. Notwithstanding, the government did commit to undertake substantial public works, including the construction of a railroad and port-related infrastructure, as a pre-condition for a $2billion investment in a major pulp mill project by Finnish company UPM. The government took numerous measures to incentivize investment and stimulate employment in response to the COVID-19 pandemic. Decree 268/020 expanded the definition of companies eligible for tax incentives, relaxed previous provisions to facilitate firms' access to the incentives, and increased corporate income tax-related benefits. In May 2020, the government issued another decree to promote investment in large construction projects. These regulations aimed at enticing firms to undertake new, or expand existing, investments. The full list of measures is available (in Spanish) at **https://www.gub.uy/presidencia/politicas-y-gestion/medidas-del-gobierno-para-atender-emergencia-sanitaria-coronavirus-covid-19-8**

FOREIGN TRADE ZONES/SPECIAL ECONOMIC ZONES/FREE PORTS/TRADE FACILITATION

Uruguay has increasingly promoted itself as a regional, world-class logistics and distribution hub. In 2010, Uruguay created the National Logistics Institute (known by its Spanish acronym as INALOG), a public-private sector institution that seeks to coordinate efforts towards establishing Uruguay as the leading Mercosur distribution hub. INALOG and Uruguay XXI have issued several reports on Uruguay's role and advantages as a logistics hub.

Uruguay established free trade zones (FTZs) in 1987 (Law No. 15,921). Legislation in 2017 (Law No. 19,566) included minor changes in tax benefits, streamlined the requirements and activities that companies must accomplish to be able to operate inside an FTZ, and improved international cooperation related to the prevention of international tax evasion. Full legislation and regulations are available at http://zonasfrancas.mef.gub.uy/ . Almost all foreign investors surveyed in 2018 were satisfied or highly satisfied with Uruguay's FTZs and free ports.

There are 12 FTZs throughout the country. Most FTZs host a wide variety of tenants performing various services, including financial, software development, call centers, warehousing, and logistics. One FTZ is dedicated exclusively to the development of pharmaceuticals, and three to the production of paper pulp. The government is considering additional FTZs. Mercosur regulations treat products manufactured in most member states' FTZs, except for Tierra del Fuego (Argentina) and Manaus (Brazil), as extra-territorial and charge them the common external tariff upon entering any member country. As a result, industrial production in local FTZs is usually destined for non-Mercosur countries.

Firms may bring foreign goods, services, products, and raw materials into the FTZs. Firms may hold, process, and re-export the goods without payment of Uruguayan customs duties or import taxes. Uruguay exempts firms operating in FTZs from national taxes. Laws governing legal monopolies do not apply within the FTZs. Additionally, employers do not pay social security taxes for non-Uruguayan employees who have waived coverage under Uruguay's social security system. Uruguay treats goods of Uruguayan origin entering FTZs as exports from Uruguay for tax and other legal purposes.

Uruguay has other special import regimes in place called "temporary admission," "bonded warehouse," and "free port." The temporary admission regime allows manufacturers to import duty-free raw materials, supplies, parts, and intermediate products they will use in manufacturing products for export. However, the regime requires government authorization, and firms must export all finished products within 18 months. Firms do not have to be in a specific location to benefit from temporary admission. Free ports and bonded warehouses are special areas where goods that remain on the premises are exempted from all import-related duties and tariffs. The two main differences between free ports and bonded warehouses are that goods can stay for an unlimited amount of time in free ports and up to one year in bonded warehouses, and that firms may not significantly modify goods in free ports. Firms may engage in "industrialization," including limited product transformation, in bonded warehouses. Firms operating in both premises may re-label and re-package merchandise.

Law No. 17,547 passed in August 2002 allows for the establishment of industrial parks. Several additional decrees signed since 2007 allow for the establishment of sector-specific industrial parks. Industrial-park advantages include tax exemptions and benefits, and they may be established by the private sector, or by national or local governments. There are three industrial parks that operate under Law No. 17,547, and eleven that operate under state's regulations.

PERFORMANCE AND DATA LOCALIZATION REQUIREMENTS

Foreign investors are not required to meet any specific performance requirements, and have not reported impediments or onerous visa, residence, or work permit requirements. The government does not require that nationals own shares or that the share of foreign equity be reduced over time, and does not impose conditions on investment permits. A labor-related requirement is that tenants of free trade zones employ at most 25 percent of foreign workers. The law provides that, in special cases, Uruguay can allow a higher percentage of foreign workers.

Article 8 of the U.S.–Uruguay BIT bans both countries from imposing certain performance requirements on new investments or tying the granting of existing or new advantages to performance requirements.

Uruguay does not require foreign investors to use local content in goods or technology to invest. However, local content may be required in some sectors to become eligible for special tax treatment or government procurements.

Uruguay does not require foreign IT providers to turn over source code or provide access for surveillance. Companies can freely transmit customer or business-related data across borders. Banks can transmit information out of Uruguay on their loan portfolios but not on their depositor base. Banks are obliged to provide information once a year to the local tax authority on their depositors. This information is exchanged with tax authorities from countries that enjoy Tax Information Exchange Agreements with Uruguay (Uruguay does not have a TIEA with the United States). Legislation governs the central government's computer system security, requiring all personal and sensitive data to remain in Uruguay. Uruguay's Agency for e-government and Information Society (AGESIC) oversees enforcing this regulation.

5. Protection of Property Rights

REAL PROPERTY

Uruguay recognizes and enforces secured interests in property and contracts. Mortgages exist, and Uruguay has a recognized and reliable system of recording such securities. Uruguay's legal system protects the acquisition and disposition of all property, including land, buildings, and mortgages.

Law No. 19,283, passed in 2014, prevents foreign governments from buying land, either directly or in association with private companies. Traditional use rights are not applicable as there is no applicable indigenous community in Uruguay. Most land has clear property titles.

Due to rising instances of union-supported sit-ins or occupation of workplaces in recent years, business chambers filed cases before the International Labor Organization. In 2020, the government included an article in the Law No. 19,889 providing for the peaceful exercise of the right to strike, the right of non-strikers to access and work in their respective establishments, and the right of the management of the companies to enter their facilities freely. In practice, this law gives police the authority to physically remove strikes blocking access to workplaces, and to prevent the occupation of workplaces.

INTELLECTUAL PROPERTY RIGHTS

Uruguay has not been on the Office of the U.S. Trade Representative's (USTR) Special 301 Report since 2006, nor on USTR's Review of Notorious Markets for Counterfeiting and Piracy since 2016.

Uruguay is a member of the World Intellectual Property Organization (WIPO) and a party to the Berne and Universal Copyright Conventions, as well as the Paris Convention for the Protection of Industrial Property. In March 2017, the executive branch sent a bill to parliament to adhere to WIPO's Patent and Cooperation Treaty, which was not approved. Uruguay is also a member of PROSUR, the Latin American Intellectual Property Network that encompasses 13 countries.

Some industry groups criticize the slowness of the patent-granting process, as well as the lack of data protection for proprietary research submitted as part of the grant process. They also strongly criticize an amendment to the Patent Law (passed in a 2013 omnibus law) that removed the ability of patent right holders to claim damages for infringement of their rights from the date of the patent application filing up to its granting date. In 2021 the government submitted a bill to close this loophole, but it was passed by Parliament with language that excluded pharmaceuticals from this protection. While enforcement of trademark rights has improved in recent years, local citizens have sometimes managed to register trademarks without the owners' prior consent. Customs officers have authority to enforce trademark protection. After temporarily freezing a shipment of suspicious goods, Customs must communicate with the local representatives of the trademarks' right-holders to determine the legality of the goods and seek cooperation. Uruguay tracks and reports on Custom's seizures of goods, some of which are counterfeit, but there is no centralized dedicated reporting system for seizures of counterfeit goods.

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

6. Financial Sector

CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Over time Uruguay has added regulations and legislation to develop its capital markets, including law No. 18,627 in 2009. However, the local capital market remains underdeveloped and highly concentrated in sovereign debt, making it difficult to finance business ventures through the local equity market. Due to such underdevelopment and lack of sufficient liquidity, Uruguay typically receives only "active" investments oriented to establishing new firms or gaining control over existing ones and lacks "passive investments" from major investment funds.

The government maintains an open attitude towards foreign portfolio investment, though there is no effective regulatory system to encourage or facilitate it. Uruguay does not impose any restrictions on payments and transfers for current international transactions.

Uruguay allocates credit on market terms, but long-term banking credit has traditionally been difficult to obtain. Foreign investors can access credit on the same market terms as nationals.

As part of the process of complying with OECD requirements (see Bilateral Investment Agreements section), Uruguay banned “bearer shares” in 2012, which had been widely used. Private firms do not use “cross shareholding” or “stable shareholder” arrangements to restrict foreign investment, nor do they restrict participation in or control of domestic enterprises.

MONEY AND BANKING SYSTEM

Uruguay established its Central Bank (BCU) in 1967 as an autonomous state entity. The government-owned Banco de la República Oriental del Uruguay (BROU) is the nation’s largest commercial bank and has the largest market share. The rest of the banking system comprises a government-owned mortgage bank and nine international commercial banks. The BCU’s Superintendency of Financial Services regulates and supervises foreign and domestic banks or branches alike. The Superintendency reports that as of March 2022, the banking sector has good capital and liquidity ratios.

Since Uruguay’s establishment of a financial inclusion program in 2011, and especially after the passage of a financial inclusion law in 2014 (No. 19,210), the use of debit cards, credit cards, and bank accounts has increased significantly. Several private sector firms issue electronic currency. Articles 215 and 216 of Law No. 19,889 reinstated the possibility of paying workers’ salaries in cash instead of electronically.

Regarding technological innovation in the financial sector, Montevideo hosted the first regional Fintech Forum in 2017, which led to the creation of the Fintech Ibero-American Alliance. Some local firms have developed domestic and international electronic payment systems, but emerging technologies like blockchain and crypto currencies remain underdeveloped.

There have been some cases of U.S. citizens having difficulties establishing a first-time bank account, mostly related to the United States’ Foreign Account Tax Compliance Act provisions.

FOREIGN EXCHANGE AND REMITTANCES

Foreign Exchange

Uruguay maintains a long tradition of not restricting the purchase of foreign currency or the remittance of profits abroad. Free purchases of any foreign currency and free remittances were preserved even during the severe 2002 financial crisis.

Uruguay does not engage in currency manipulation to gain competitive advantage. Since 2002, the peso has floated relatively freely, albeit with intervention from the Central Bank aimed at reducing the volatility of the price of the dollar. Foreign exchange can be obtained at market rates and there is no black market for currency exchange.

Remittance Policies

Uruguay maintains a long tradition of not restricting remittance of profits abroad.

Article 7 of the U.S. – Uruguay BIT provides that both countries "shall permit all transfers relating to investments to be made freely and without delay into and out of its territory." The agreement also establishes that both countries will permit transfers "to be made in a freely usable currency at the market rate of exchange prevailing at the time of the transfer."

SOVEREIGN WEALTH FUNDS

There are no sovereign wealth funds in Uruguay.

7. State-Owned Enterprises

The State still plays a significant role in the economy and Uruguay maintains government monopolies or oligopolies in certain areas, including the importing and refining of oil, workers compensation insurance, and landline telecommunications.

Uruguay's largest state-owned enterprises (SOEs) include: the petroleum, cement, and alcohol company ANCAP; telecommunications company ANTEL; the electric utility UTE; the water utility OSE; and Uruguay's largest bank BROU. While deemed autonomous, in practice these enterprises coordinate in several areas with various ministries and the executive branch. The boards of these entities are appointed by the executive branch, require parliamentary approval, and remain in office for the same term as the executive branch. Uruguayan law requires SOEs to publish an annual report, and independent firms audit their balances.

Some traditionally government-run monopolies have opened to private-sector competition. Cellular phone service, international long-distance services, insurance, and media services are open to local and foreign competitors. Uruguay permits private-sector generation of power and private interests dominate renewable energy production, but the state-owned power company UTE holds a monopoly on the transfer of electrical power through transmission and distribution lines from one utility's service area to another's, otherwise known as wheeling rights. State-owned companies tend to have the largest market share even in sectors open to competition. Potential cross-subsidies likely give SOEs an advantage over their private sector competitors.

Uruguay does not adhere to the OECD's Guidelines on Corporate Governance of State-Owned Enterprises. The current government plans to reform and increase the efficiency of its SOEs.

PRIVATIZATION PROGRAM

Uruguay has not undertaken any major privatization program in recent decades. While Uruguay opened some previously government-run monopolies to private-sector competition, the government continues to maintain a monopoly in the import and refinement of petroleum, landline telecommunications and water treatment and distribution.

Parliament passed a public-private partnership (PPP) law in 2011 and created regulations with Decree 007/12. The law allows private sector companies to design, build, finance, operate, and maintain certain infrastructure, including brownfield projects. With some exceptions (such as medical services in hospitals or educational services in schools), PPPs can also be applied to social infrastructure. The return for the private sector company may come in the form of user payments, government payments, or a combination of both. In 2015, Uruguay passed regulations (Decree 251/15) to simplify the procedures and expedite the PPP process. The only fully operational project to date is a $93 million prison. In May 2021 (latest data available), there were three PPP projects in the implementation phase, the largest of which is a 170-mile railroad for approximately $1 billion. There are ten other projects worth $873 million in different stages of development, related to roads, education, and health. The current government aims to improve PPP approval times. U.S. companies have tended to be suppliers of equipment and services to local companies that compete for PPPs rather than direct bidders, with some exceptions.

In the 2020 omnibus reform law, the government determined that –with a transition period of up to three years– local fuel prices should closely track import parity prices (i.e., international price plus import cost). The legislation was aimed at increasing the efficiency of the state-owned oil company in order to reduce the local price of fuels.

8. Responsible Business Conduct

The concept of Responsible Business Conduct (RBC) is relatively new to producers, consumers, and the government. The government has not developed a national action plan on RBC. However, many companies do abide by relevant principles as a matter of course. Many multinational companies promote RBC awareness and make significant contributions in promoting safety, better regulation, a positive work environment, and sustainable environmental practices. U.S. companies have proven to be leaders in promoting a greater awareness of and appreciation for RBC in Uruguay.

Consumers tend to pay attention to the RBC image of companies, especially as it relates to a firm's work with local charities or community causes. The Catholic University (Universidad Catolica) has a program to monitor RBC matters (**http://www.ucu.edu.uy/es/rse**). **DERES** is a non-profit business organization to promote corporate social responsibility, and currently has over 120 member companies.

There have been no human or labor rights concerns relating to RBC over the past five years.

Additional Resources

Department of State

- **Country Reports on Human Rights Practices**
- **Trafficking in Persons Report**
- **Guidance on Implementing the "UN Guiding Principles" for Transactions Linked to Foreign Government End-Users for Products or Services with Surveillance Capabilities**
- **North Korea Sanctions & Enforcement Actions Advisory**
- **U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises**
- **Xinjiang Supply Chain Business Advisory**

Department of the Treasury

- **OFAC Recent Actions**

Department of Labor

- **Findings on the Worst Forms of Child Labor Report**;
- **List of Goods Produced by Child Labor or Forced Labor**.
- **Sweat & Toil: Child Labor, Forced Labor, and Human Trafficking Around the World** and;
- **Comply Chain**.

Climate Issues

The government's long-term climate strategy was announced in December 2021, and focuses on mitigation and adaptation to climate change. Government officials assess that private and foreign investment are vital for the success of their climate strategy. Following the Paris Climate Agreement, Uruguay's has committed to an aspirational goal for carbon neutrality by 2050, including stable emissions of methane and nitrous oxide in its agricultural sector.

The Uruguay's 2021 climate strategy included one-hundred-and-fifteen measures, many of them aimed at achieving policy outcomes that preserve biodiversity and other desirable ecological benefits. Each measure has an advance report that can be tracked at https://visualizador.gobiernoabierto.gub.uy/visualizador/api/repos/%3Apublic%3Aorganismos%3Aambiente%3Avisualizador_cdn.wcdf/generatedContent

The government is gradually including environmental variables in public economic and capital market policies. Uruguay is proposing in international fora, including the World Bank and the IMF, tying the cost of sovereign funding to advanced environmental indicators.

Post is unaware if government procurement policies include environmental and green growth considerations.

9. Corruption

Overall, U.S. firms have not identified corruption as an obstacle to investment. Transparency International's 2021 edition of the *Corruption Perception Index* ranked Uruguay as having the lowest levels of perceived corruption in Latin America and the Caribbean, and ranked it as the second most transparent country in the Western Hemisphere, after Canada.

Uruguay has laws to prevent bribery and other corrupt practices (No. 17,060), and the acceptance of a bribe is a felony under Uruguay's penal code. The government neither encourages nor discourages private companies to establish internal codes of conduct.

The Transparency and Public Ethics Board (known by its Spanish acronym JUTEP) is the government office responsible for dealing with public sector corruption. It gained some relevance in recent years – especially as a result of a case that ended in the resignation of Uruguay´s Vice-President in 2017 – but continues having a low-profile and limited resources. There are no major NGOs involved in investigating corruption.

A 2017 law (No. 19,574) established an integral framework to fight money laundering and terrorism finance, brought Uruguay into compliance with OECD and UN norms, and included corruption as a predicate crime. Uruguay signed and ratified the UN's Anticorruption Convention. It is not a member of the OECD and therefore is not party to the OECD's Convention on Combating Bribery.

Resources to Report Corruption

Government agency responsible for combating corruption:
Junta de Transparencia y Ética Publica
President Susana Signorino Barbat
Address: Rincon 528, 8th floor, ZC 11000
Tel: (598) 2917 0407
E-mail: secretaria@jutep.gub.uy
https://www.gub.uy/junta-transparencia-etica-publica/institucional/estructura-del-organismo/junta-transparencia-etica-publica
Local branch of Transparency International: http://www.uruguaytransparente.uy

10. Political and Security Environment

Uruguay is a stable democracy in which respect for the rule of law and transparent national debates to resolve political differences are the norm. The majority of the population is committed to non-violence. In 2021, the Economist magazine ranked Uruguay the only "full democracy" in South America, and one of three in the Western Hemisphere. There have been no cases of political violence or damage to foreign investment projects or installations over the past decade.

While violent crime rose to historic levels in 2019, it has decreased over the last two years. The issue of deteriorating citizen security was a central issue in the 2019 presidential election and is a top priority of the current government.

11. Labor Policies and Practices

As a result of flagging economic growth in 2015-2019, the unemployment rate rose substantially and wage increases moderated. The COVID-19 pandemic aggravated the situation in 2020 but the labor market improved significantly in 2021. As of January 2022, the unemployment rate was 7.4 percent, below pre-pandemic levels.

Labor laws and regulations prohibit discrimination with respect to employment and occupation based on race, color, sex, religion, political opinion, national origin or citizenship, social origin, disability, sexual orientation or gender identity, age, language, HIV status, or other communicable diseases. In general, the government effectively enforced applicable law and regulations, and penalties were sufficient to deter violations. The Labor and Social Security Inspection Division of the Ministry of Labor and Social Security investigates discrimination and workplace abuse claims filed by union members. Please refer to the State Department´s Report on Human Rights Practices in Uruguay for more information.

https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/uruguay/

Unemployment is structurally higher among the youth, especially among young women. Unemployment is also structurally higher among the Afro-descendant population and varies significantly with education. The government reports a falling trend in informal labor over the past fifteen years, to about 22 percent of the labor market in late 2021, and the UN´s Economic Commission for Latin America and the Caribbean (ECLAC) ranks Uruguay as having the lowest rate among sixteen Latin American countries. In recent years, there has been a significant increase in migrant workers from Venezuela, Cuba, and the Dominican Republic.

The declining quality of Uruguay's public education system may limit the number of qualified workers available over the mid- to long-term. There is a structural shortage of workers in the IT sector and other specialized technical industries. Labor-intensive businesses are increasingly under stress, and new business creation in Uruguay is not replacing the better-paying jobs lost from exiting private sector enterprises.

Uruguay's labor system is compliant in law and practice with most international labor standards. The Uruguayan Constitution and supporting laws guarantee workers the right to organize, strike, and engage in union activities without fear of dismissal.

Uruguay has ratified numerous International Labor Organization conventions that protect worker rights, and generally adheres to their provisions.

Domestic and foreign business owners and managers often describe local labor laws as rigid and burdensome. Uruguay ranked 108th (of 141 countries) in the labor market flexibility index of the 2019 edition of the World Economic Forum's *Global Competitiveness Index.* It also ranked 141st in the "flexibility of wage determination" sub-index. (Note: In 2020 the World Economic Forum changed the structure of its report, the 2019 edition is the last one that includes sets and subsets of indicators by country.) Several labor unions espouse strongly leftist, "anti-imperialist," and anti-capitalist ideological positions. Uruguay ranked 138th (of 141 countries) in the "cooperation in labor-employer relations" in the 2019 World Economic Forum's *Global Competitiveness Index.*

Many foreign investors report high absentee rates by employees and resulting lower-than-average productivity rates. Productivity is not included in the negotiations that take place in the country's Salary Councils which determine sector-wide policies on wage adjustments.

Labor unions are independent from the government, though they have a politically close relationship with the left-leaning Frente Amplio coalition, which ruled from March 2005 through February 2020. Unionization quadrupled from about 110,000 in 2003 to over 400,000 in 2018 (almost one-fourth of employed workers) and is particularly high in the public sector and some private sectors, such as construction, the metal industry, and banking.

Frente Amplio administrations that governed in 2005-2020 passed over 30 labor laws that: promoted and protected labor unions; reinstated collective bargaining; regulated outsourcing activities; regulated work times in rural activities; extended the term to claim worker's rights; restricted the eviction of employees who occupy workplaces; and imposed criminal sanctions on employers who fail to adopt safety standards in their firms. In 2020, the new administration included an article in Law No. 19,889 providing for the peaceful exercise of the right to strike, along with the right of non-strikers to access and work in their respective establishments, and the right of the management of the companies to enter their facilities freely. The government argued the change was necessary to comply with a longstanding ILO requirement and instructed the Ministry of Interior to enforce the regulation.

Collective bargaining is practiced in Uruguay. Salary councils are responsible for assessing wage increases annually at a sectoral level. The councils then apply agreed-upon wage increases to all individual firms in the sector, irrespective of their size or geographical location. Councils consist of a three-party board, which includes representatives from unions, employers, and the government. If unions and employers fail to reach an agreement to determine the wage increase, the government makes the final decision.

Labor provisions apply across the board, and the government does not normally issue waivers to attract or retain investment. Except for the construction sector, social security payments are approximately 13 percent of workers' basic salary. Including health care insurance, social security, and other charges, employers pay approximately 40 percent of a worker's basic total salary to the government. In addition, there is a mandatory annual bonus and vacation pay, which result in employers paying the equivalent of 14 months of salary per employee each year.

Labor laws do not differentiate between layoffs and firing unless the firing is "for cause." Employers must pay dismissed workers one month for each year of work with a cap of six months, except in cases of "for cause" firings. Dismissals often result in labor conflicts, even if dismissals are required to adjust employment to fluctuating market conditions. Unemployment insurance pays workers a percentage of their salary for up to six months. In the past, the government has extended the term of the unemployment insurance for select groups of laid-off workers. In labor trials, the judiciary tends to rule in favor of the worker, assuming the worker to be the disadvantaged party.

Article 393 of the referred 2020 omnibus reform law created a commission to study and propose reforms to Uruguay's social security system.

In June 2020, Uruguay became the first country in the world to ratify ILO's Convention 190, which recognizes that violence and harassment at work is a human rights violation.

12. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance Programs

Legacy DFC (previously OPIC) programs are active in Uruguay. Uruguay signed an investment insurance agreement with OPIC in 1982. However, Uruguay is generally ineligible for future DFC projects due to the country's high-income designation.

13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2020	$51,734	2020	$53,629	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2019	2,248	2019	$3,578	BEA data available at https://apps.bea.gov/international/factsheet/
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2018	$391	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Total inbound stock of FDI as % host GDP	2019	94%	N/A	N/A	UNCTAD data available at https://unctad.org/topic/investment/world-investment-report

**Host country source: https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx*

The vast majority of U.S. investment consisted of intra-company loans, and not greenfield, brownfield, or reinvestment projects. U.S. investment is distributed among a wide array of sectors, including forestry, tourism and hotels, services (e.g., call centers or back office), and telecommunications.

Direct Investment from/in Counterpart Economy Data, 2020 From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*				
Inward Direct Investment			**Outward Direct Investment**	
Total Inward	29,642	100%	Total Outward	N/A
Spain –	5,911	20%	N/A	N/A
Argentina –	4,533	15%	N/A	N/A
Switzerland –	3,483	12%	N/A	N/A
United States –	2,248	8%	N/A	N/A
The Netherlands–	2,044	7%	N/A	N/A

“0” reflects amounts rounded to +/- $500,000.

Source: IMF Coordinated Direct Investment Survey

14. Contact for More Information

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